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Global Agriculture Information Network

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Colombia

Coffee

Semi-Annual

2004

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Report Highlights:
Colombian coffee production reached 11.05 million bags in the October-September 2003/04 commercial year and it is estimated to increase to 11.6 million bags for the 2004/05 year. Exports are forecast to increase 2 percent to 10.4 million bags. The U.S. joining the ICO has raised expectations of a more stable coffee market, and increased hopes that this will open opportunities for quality recognition and cooperation.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Bogota [CO1]
[CO]

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Executive Summary

Colombian coffee production fell by 5 percent to 11.1 million 60-Kg bags in the 2003/04 commercial year. Production is expected to increase to 11.6 million bags in the 2004/05 year due to good weather thus far in the season and the continuing renovation of old plantings.

The decision of the U.S. to rejoin the ICO has raised the expectations of a more stable international coffee market. Colombian coffee growers and exporters also feel that this will open opportunities for developing international cooperation in quality recognition, technical cooperation, research and marketing efforts.

Colombian exports are projected to reach 10.39 million bags in 2004/05 commercial year. Under current market conditions, Colombian growers forecast international prices to stay at around $0.80 per pound.

The project of the Coffee Federation and the Colombian government to renovate coffee plantings has now concluded renovation of 50 percent of the area located at the best altitude and with a more modernized production process. The higher density of coffee plants and increased production per area are impacting on coffee production, which is offsetting the reduced area in marginal production regions. The production target of the industry is between 11 and 12 million bags of green coffee under normal weather conditions.

Production

Colombia's production reached 11.1 million 60-Kg bags in the October-September 2003/04 crop year. This production level is 5 percent lower than a year before due to delays in rain while the trees were growing.

The production forecast for the 2004/05 crop is for 11.6 million 60-kg bags. Production is expected to continue at this level because of good weather thus far in the season and the continuing renovation of old plantings. Over the longer run, production under normal weather conditions is expected to be between 11.0 and 12.0 million bags.

The main production areas are expected to intensify production, and to continue plant renovation, although the total area planted is expected to fall due to the retirement of marginal production areas. The coffee plantings renovation project is an effort by the Coffee Federation and Colombian Government to maintain quality and improve yields, principally at the main coffee areas (located in the best altitude between 1,500 meters and 1,800 meters). Growers increased the density planted, which is currently calculated at 5,700 trees per hectare, up from 4,800 trees per hectare previously. Coffee plantations are now an average age of 5.5 years old, down from the 7.5 years before the renovation program. Over the longer run, production under normal weather conditions is expected to be between 11.0 and 12.0 million bags.

The coffee renovation program covered 45,000 hectares during 2003/04 marketing year. The program has now helped in the renovation of nearly 350,000 hectares, approximately half the current planted area. In addition to the general renovation program, the government is supporting the inter-planting of a corn crop with coffee at the time of planting renovations. Instead of receiving financial resources, growers receive needed fertilizers. Under this program, around 7.000 hectares of corn were planted in 2003/04 at the time of renovating this area of coffee. The plan to interplant corn with coffee is somewhat controversial, since some coffee producers report that the increased income corn production is more than offset by delays in growth of the coffee plants and lower coffee yields.

Consumption

Local coffee consumption is considered low when compared with other producing countries, and according with estimation from the Coffee Growers Federation the total coffee consumption will not change. Overall domestic consumption is expected to grow in the future mainly driven by the increasing consumption of products containing coffee, which have shown a dynamic trend according with the industry. The strong marketing efforts of the Coffee Federation (FEDECAFE) in opening coffee stores in Colombia under the brand name “Juan Valdez” has also helped to extend coffee consumption. The purpose of these stores is mainly to give consumers the opportunity to taste 100 percent Colombian coffee prepared under different recipes.

Trade

In 2003/04 marketing year Colombia exported 10.15 million 60-kg bags, down 3 percent from 10.48 million 60-kg bags a year before. The U.S. market received 35 percent of the total exports of Colombia, which represents around 20 percent of the total U.S. consumption. Colombia exported to the U.S. 3.6 million 60-kg bags. Japan and Germany were the second and third largest markets for Colombian coffee exports amounting 1.6 million 60-kg bags and 1.3 million 60-kg bags, together representing 29 percent of exports.

Stocks

Colombia maintained stocks below 2,000 million 60-kg bags. The monthly average in 2003/04 commercial year was 1,742 million bags. This lower level reflects not only the stabilization in production but also strong external demand. The stocks held at the end of crop year 2003/04 were 1.2 million bags and this is estimated to fall slightly to 1.1 million bags at the end of the 2004/05 year.

Policy

U.S. joins ICO - Colombia was highly interested in having the U.S. back in the International Coffee Organization, ICO. With the U.S. now joining the ICO, Colombian coffee grower authorities at the Coffee Federation hope to set a new agenda at the ICO that includes topics related to quality recognition, marketing development, technical assistance and support for scientific research among others. They welcome participation of the U.S. as an active ICO member, since the measures previously taken by the country producers to establish quality standards or to remove from the market low quality coffee did not have the impact they looked for. It is clear to Colombian coffee growers that the new ICO will not have economic clauses and will be based on free market principles.

Colombian exporters are also happy about the entrance of the U.S. into ICO. They see as highly positive the fact that the biggest single country consumer of coffee worldwide is again part of the ICO. They expect that in a coffee market committed to quality recognition, quality differentiation will be the main factor in determining international coffee prices.

U.S. – Colombia Free Trade Agreement
The free trade agreement currently being negotiated between the U.S. and Colombia will have no impact on duties, since green coffee entering U.S. market pays no tariffs. The Colombian Government will, however, pursue the establishment of rules of origin that do not allow the U.S. to export to Colombia coffee products made from coffee produced outside the region. They will also be seeking recognition of Colombian coffee as a distinctive regional

denomination and will request immediate duty reduction to products that contain coffee: candies, beverages and others.

Support

The Colombian government continues providing support through guaranteeing a minimum price paid to growers of 320.000 pesos ($125.96) per 125 kg bag. Currently the government is not paying this subsidy because the international price is well above the trigger price for the support of $0.50 per pound.

Prices

Despite the revaluation of the peso (i.e. it is going up relative to the U.S. dollar), prices paid to the growers have improved due to better international prices. The average price paid to growers during the January-September period was 10 percent above prices a year before.

Tables

Colombia

Coffee, Green

(1000 HA)(MILLION TREES)(1000 60 KG BAGS)	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Planted	775	775	770	770	765	765
Area Harvested	630	630	630	630	630	630
Bearing Trees	2850	2850	2800	2800	2800	2800
Non-Bearing Trees	1030	1030	1030	1030	1030	1030
TOTAL Tree Population	3880	3880	3830	3830	3830	3830
Beginning Stocks	1393	1393	1437	1437	1192	1131
Arabica Production	11712	11712	11300	11053	11600	11600
Robusta Production	0	0	0	0	0	0
Other Production	0	0	0	0	0	0
TOTAL Production	11712	11712	11300	11053	11600	11600
Bean Imports	0	0	0	0	0	0
Roast & Ground Imports	70	70	50	50	55	55
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	70	70	50	50	55	55
TOTAL SUPPLY	13175	13175	12787	12540	12847	12786
Bean Exports	9808	9808	9670	9484	9720	9720
Roast & Ground Exports	120	120	120	120	120	120
Soluble Exports	550	550	550	550	550	550
TOTAL Exports	10478	10478	10340	10154	10390	10390
Rst,Ground Dom. Consum	1010	1010	1000	1000	1000	1000
Soluble Dom. Consum.	250	250	255	255	260	260
TOTAL Dom. Consumption	1260	1260	1255	1255	1260	1260
Ending Stocks	1437	1437	1192	1131	1197	1136
TOTAL DISTRIBUTION	13175	13175	12787	12540	12847	12786

Colombia
Coffee, Green
Exports

Time Period	Oct-Sep	Units:	60 Kg bags (,000)
Exports for:	2003		**2004**
U.S.	3627	U.S.	
Others		Others	
Japan	1567		
Germany	1338		
Canada	589		
Belgium	508		
Italy	281		
United Kingdom	267		
Sweden	262		
Holland	240		
Spain	219		
Finland	171		
Total for Others	5442		0
Others not Listed	1085		
Grand Total	10154		0

Colombia
Coffee, Green
Prices

Prices in	Pesos (,000)	per uom	125 Kg bag

Year	2003	2004	% Change
Jan	328	341	4%
Feb	319	334	5%
Mar	299	343	15%
Apr	313	326	4%
May	314	346	10%
Jun	290	378	30%
Jul	318	320	1%
Aug	300	319	6%
Sep	308	352	14%
Oct	296		-100%
Nov	299		-100%
Dec	305		-100%

Exchange Rate	2,540.47	Local Currency/US $
Date of Quote	11/12/2004	MM/DD/YYYY